

GAO

Report to the Clerk of the
House of Representatives

March 1986

FINANCIAL AUDIT

House Stationery Revolving Fund Statements - June 30, 1985 and 1984



**Comptroller General
of the United States****B-114962**

March 13, 1986

The Honorable Benjamin J. Guthrie
Clerk of the House of Representatives

Dear Mr. Guthrie:

Pursuant to your May 1, 1985, request, we have examined the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1985 and 1984, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on November 13, 1985.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Stationery Revolving Fund as of June 30, 1985 and 1984, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements, applied on a consistent basis.

Appendix I contains our report on internal accounting controls and compliance with laws and regulations. Appendixes II through V present the Fund's financial statements and accompanying notes for the fiscal years ended June 30, 1985 and 1984.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the House of Representatives Stationery Revolving Fund for the fiscal years ended June 30, 1985 and 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended June 30, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended June 30, 1984, is presented in GAO/AFMD-85-30, dated February 15, 1985.)

As part of our examination, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the categories of receipts, disbursements, equipment, inventory, and receivables. Our study included all of these control categories.

The management of the House of Representatives Stationery Revolving Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the Fund's system of internal accounting controls taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Stationery Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	June 30,	
	1985	1984
Assets		
Current Assets		
Cash in U.S. Treasury	\$2,024,449	\$1,666,382
Petty cash	1,500	1,200
Accounts receivable	50,094	43,497
Merchandise inventory	1,045,775	1,305,205
Total current assets	3,121,818	3,016,284
Fixed Assets		
Equipment	217,189	174,193
Less accumulated depreciation	133,202	97,671
Total fixed assets	83,987	76,522
Total Assets	\$3,205,805	\$3,092,806
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$314,658	\$389,672
Deferred income	82,324	57,150
Total liabilities	396,982	446,822
Government Equity		
Contributed capital	1,600,000	1,600,000
Fund balance:		
Balance at beginning of year	1,045,984	890,493
Net income	162,839	155,491
Balance at end of year	1,208,823	1,045,984
Total government equity	2,808,823	2,645,984
Total Liabilities and Government Equity	\$3,205,805	\$3,092,806

The accompanying notes are an integral part of this statement.

Statement of Operations

	Fiscal years ended June 30,	
	1985	1984
Revenue		
Net sales	\$6,573,900	\$6,541,061
Service charges	123,322	124,930
Total revenue	6,697,222	6,665,991
Operating Expenses		
Cost of sales	6,498,785	6,481,523
Depreciation expense	35,531	28,977
Loss on accounts receivable - vendors	67	0
Total operating expenses	6,534,383	6,510,500
Net Income	\$162,839	\$155,491

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Fiscal years ended June 30,	
	1985	1984
Funds Provided		
Net income from operations	\$162,839	\$155,491
Provision for depreciation	35,531	28,977
Cash from operations	198,370	184,468
Decrease in accounts receivable	0	4,088
Decrease in merchandise inventory	259,430	128,333
Increase in accounts payable	0	226,901
Increase in deferred income	25,174	3,050
Total funds provided	482,974	546,840
Funds Applied		
Increase in accounts receivable	6,597	0
Decrease in accounts payable	75,014	0
Purchase of equipment	42,996	0
Total funds applied	124,607	0
Increase in Cash	\$358,367	\$546,840

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House of Representatives Stationery Revolving Fund, established July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service under the jurisdiction of the Clerk of the House of Representatives and is subject to the rules and regulations of the Committee on House Administration. The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies at cost (exclusive of salaries and other operating expenses incurred in operating the revolving fund).

Office Supply Service operations are financed from the House of Representatives Stationery Revolving Fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited into the revolving fund and are available for operations. Employees' salaries and benefits and certain other benefits and services such as space, building repairs, maintenance, and utilities are paid from appropriated funds and are not charged to the revolving fund.

Inventories are stated at cost using an average method of valuation.

Equipment purchased prior to fiscal year 1982 is depreciated over a 10-year life using the straight-line method with no salvage value. Equipment purchased in fiscal year 1982 and later years is depreciated over a 5-year life using the straight-line method with no salvage value.

A 10-percent service charge is added to all nonofficial sales, which consist primarily of sales to staff.

Accounts receivable include amounts owed to the Office Supply Service at year-end by committees, departments, and officers of the House, and the value of merchandise returned to vendors for credit, replacement, or repairs.

Deferred income represents amounts to be recognized as revenue in subsequent periods when prepaid special order merchandise is delivered.

Cost of sales includes the value of obsolete and damaged merchandise written off and merchandise marked down and sold below cost.

Note 2. Purchase Order Commitments

Obligations for undelivered orders amounted to \$682,321 as of June 30, 1985, and \$454,642 as of June 30, 1984.



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